

**REPORT OF THE AUDIT OF THE
KENTON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE KENTON COUNTY SHERIFF

**For The Year Ended
December 31, 2005**

The Auditor of Public Accounts has completed the Kenton County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Kenton County Sheriff had total receipts of \$3,966,340, which was a \$273,535 increase from the prior year. Except for reimbursed expenses in the amount of \$557,653, the sheriff paid 25% of receipts to the Kenton County Fiscal Court in the amount of \$820,747. This was an increase of \$70,180 from the prior year. In addition, disbursements of the 75% account increased by \$111,286.

Report Comment:

- The Sheriff Should Submit Quarterly Reports To The Governor's Office For Local Development On A Timely Basis

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ralph Drees, Kenton County Judge/Executive
Honorable Charles Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Kenton County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2005. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Ralph Drees, Kenton County Judge/Executive
Honorable Charles Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Submit Quarterly Reports To The Governor's Office For Local Development On A Timely Basis

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Kenton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 16, 2006

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants		\$	107,054
State Fees for Services			
House Bill 452	\$	158,756	
Court Service Fees		280,417	
KLEFPF		80,158	
Reimbursement for Worker's Compensation		<u>3,373</u>	522,704
Circuit Court Clerk			22,150
Fiscal Court			1,420
County Clerk			9,351
Commission on Taxes			2,658,653
Fees Collected for Services:			
Auto Inspections		63,955	
Serving Papers		287,943	
Carrying Concealed Deadly Weapon Permits		44,100	
Sheriff's Advertising Fees		5,130	
Warrants		1,875	
Conveying Prisoners		27,902	
Bad Check Charges		1,225	
Witness Summons		3,258	
Sheriff's Add-On Fee		<u>196,934</u>	632,322
Other Revenues:			
Interest Earned		7,340	
Miscellaneous		<u>5,346</u>	<u>12,686</u>
Total Revenues			<u>3,966,340</u>

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 CHARLES KORZENBORN, SHERIFF
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$	29,700
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Other Expenditures:

Equipment		<u>96,000</u>
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Total Expenditures		<u>125,700</u>
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Net Revenues	\$	3,840,640
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Payments to State Treasurer:

75% Operating Fund	\$	3,019,893	
25% County Fund		<u>820,747</u>	<u>3,840,640</u>

Balance Due at Completion of Audit	\$	<u><u>0</u></u>
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The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 CHARLES KORZENBORN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2005

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2005(Restated)	\$ 512,175	\$	\$ 512,175
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	3,019,893		3,019,893
Fees Paid to State - County Funds (25%)		820,747	820,747
Total Funds Available	3,532,068	820,747	4,352,815
<u>Expenditures</u>			
Kenton County Fiscal Court		820,747	820,747
Sheriff's Statutory Maximum	91,024		91,024
Sheriff's Training Incentive	3,093		3,093
Personnel Services-			
Deputies' Salaries	1,492,070		1,492,070
Seasonal Salaries	32,448		32,448
Overtime Gross	49,261		49,261
Employee Benefits-			
Life Insurance	792		792
Employer's Share Social Security	117,048		117,048
Employer's Share Retirement	301,029		301,029
Employer's Paid Health Insurance	299,107		299,107
Materials and Supplies-			
Office Supplies	24,885		24,885
Uniforms	26,498		26,498
Ammunition	447		447

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 CHARLES KORZENBORN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures (Continued)

Other Charges-

Dues and Subscriptions	\$ 6,989	\$	\$ 6,989
Postage	3,892		3,892
Cellular Phones	12,563		12,563
Telephones	5,840		5,840
Training	10,057		10,057
Parking	13,608		13,608
Miscellaneous	12,873		12,873
Unemployment Insurance	3,648		3,648
Liability Insurance	100,846		100,846
Data Processing	45,068		45,068
Physical and Drug Tests	375		375
Auto Expenses-			
Gasoline	52,884		52,884
Maintenance and Repairs	37,154		37,154
Capital Outlay-			
Vehicle	40,949		40,949
Total Expenditures	2,784,448	820,747	3,605,195
Fund Balance - December 31, 2005	\$ 747,620	\$ 0	\$ 747,620

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits of the Sheriff were covered by FDIC insurance or a properly executed collateral security agreement.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005
(Continued)

Note 4. Grants

A. COPS Grant

The Sheriff was awarded COPS grant funding for technology from the United States Department of Justice during 2003 in the amount of \$198,700. These funds were to be used to operate an interjurisdictional criminal intelligence system. The cash balance at December 31, 2004 was \$2,575. Funds totaling \$93,329 were received from the federal government and \$96 was redeposited bank errors. This account had operating expenditures of \$96,000 in 2005, leaving no balance in the account at December 31, 2005. The final report for this grant was submitted on May 16, 2005 at which time the grant was closed.

B. Highway Safety Project

The Sheriff received Highway Safety grant funding from the United States Department of Transportation through the Kentucky State Police Governor's Highway Safety Program. These funds were designated for use in a Highway Safety Project named Alcohol Counter Measures. Funds totaling \$4,212 were received during 2005.

Note 5. Asset Forfeiture Accounts

The Sheriff maintained two asset forfeiture accounts during 2005. One account was for federal asset forfeitures. The federal asset forfeiture account had a beginning balance of \$68,748. Funds in the amount of \$33,988 were received from federal agencies for funds recovered in drug-related investigations. Interest of \$80 was earned on the account. The account had operating expenditures of \$39,454. The balance of the federal asset forfeiture account was \$63,362 as of December 31, 2005.

The other account was for non-federal asset forfeitures. This account was opened during 2005. Funds in the amount of \$7,878 were received from nonfederal agencies from funds recovered in drug-related investigations. Interest of \$6 was earned on the account. This account had operating expenditures in the amount of \$7,836 leaving a balance of \$48 in the account.

Note 6. Donated Equipment Account

The Sheriff maintained an account for donated equipment. The ending balance as of December 31, 2004 was \$2,308. Interest of \$1 was earned on the account and expenditures were \$2,305 leaving an ending balance of \$4.

Note 7. Return Of Fugitive Account

The Sheriff maintains a separate account for funds reimbursed by the state for return of fugitives. The beginning account balance was \$4,387 and funds received were \$29,866. Disbursements were \$32,054, leaving an ending bank account balance of \$2,199.

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COMMENT AND RECOMMENDATION

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Submit Quarterly Reports To The Governor's Office For Local Development On A Timely Basis

Pursuant to KRS 68.210, the Sheriff is required to complete a quarterly report and submit it to the Governor's Office for Local Development. During our audit, we noted that these reports were not completed and sent. We recommend that reports available at the Governor's Office for Local Development be modified to fit the Sheriff's office needs and be prepared and submitted to GOLD.

County Sheriff's Response: On September 2, 2005, we met with Mr. Lonnie Campbell and Mr. Matthew Frolich of GOLD in order to determine how a County of 70,000 or greater population should properly fill out the Sheriff's Quarterly Budget Report. After the understandings and clarifications gained from this meeting, all reports for the calendar year 2005 were completed and filed. All reports to date for calendar year have been completed and filed on a timely basis.

PRIOR YEAR:

Sheriff's Office Lacks Adequate Segregation Of Duties - This comment has been corrected in current year.

The Sheriff Should Submit Quarterly Reports To The Governor's Office For Local Development - This comment has not been corrected and is repeated in the current year.

The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral To Protect Deposits - This comment has been corrected.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ralph Drees, Kenton County Judge/Executive
Honorable Charles Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements - regulatory basis of the Kenton County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated August 16, 2006. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kenton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Kenton County Sheriff's financial statements for the year ended December 31, 2005, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Submit Quarterly Reports To The Governor's Office For Local Development On A Timely Basis.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 16, 2006

